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**Bulletin – Understanding the Cost Report & Settlement
Process**

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SBCH Cost Report and Settlement Process

The SBCH Time Study, Cost Report, and Settlement process are all related to one another. The Department provides participating SBCH districts with the necessary electronic form (excel spreadsheet) and instruction guide to prepare the annual cost report.

Cost Reports are for all services delivered during the previous state fiscal year covering July 1st through June 30th. Cost reports are due to the State no later than June 30th of the year following the close of the year during which the costs included in the Cost Report were accrued. Submitted cost reports are subject to desk review by the Department, whereas DSS staff reviews costs and staff reported to the Time Study participant pool to ensure acceptable SBCH cost items have been included. As part of the review process, DSS may request additional information (RAI) from the district to complete the desk review process.

All qualified staff are required to be included in the Time Study pools so that they are available to be selected for the Time Study process. If your qualified staff are not included in the Time Study pools, they cannot be included in the Cost Reports. Results of the Time Study are compiled quarterly, verified for an 85% response (or compliance) rate with adjustments made if not at the compliance rate, and after the school year, validation of the Time Study is completed. Validation or lack thereof, may result in a possible reduction of the Time Study efforts if the supporting documentation does not validate the submission of the Time Study moment information. The statewide compiled, validated time study efforts are then used to determine the SBCH Medicaid reimbursable costs.

To determine the Medicaid allowable costs of providing SBCH service, the following is considered, calculated and applied:

- a. Direct costs of providing SBCH services include payroll costs and other costs that can be directly charged to SBCH services including costs that are integral to SBCH services. Direct costs shall not include room and board. Other direct costs include costs directly attributable to activities performed by the personnel who are approved to deliver SBCH services, including but not limited to travel, purchased services, materials and supplies. These direct costs are accumulated on the annual SBCH Cost Report, approved by CMS.
- b. Direct costs for SBCH services from item a above are reduced by any federal payments for those costs, resulting in adjusted direct costs for SBCH services.
- c. Adjusted direct costs from item b above are then allocated to identify Medicaid-reimbursable costs for SBCH services according to the time study results that are identified according to the process described in the SBCH Time Study User Guide, approved by CMS.
- d. Indirect costs are calculated using the unrestricted indirect cost rate set by the Connecticut State Department of Education as the cognizant agency. Indirect costs are equal to adjusted direct costs (b) multiplied by the unrestricted indirect cost rate. These indirect costs are then added to the adjusted direct costs (b) to determine the total SBCH costs.

- e. Medicaid allowable costs are identified applying the Medicaid penetration rate to the total direct costs (d). The Medicaid penetration rate is the total students with medical services included in IEPs divided by Total Medicaid Students receiving medical services included in IEPs with Parental Consent on file. Parental consent language was not involved in the 2012-2013 calculation.

SBCH Cost Reports and determination of SBCH allowable direct costs: The direct costs that are reported on the SBCH Cost Report (on the Provider Register sheets and Worksheets) by each participating district are used to determine their Medicaid-reimbursable direct costs for the SBCH using the statewide time study results for direct service providers. In the 2012-2013 school year, the direct percentage reported statewide on the time studies was 36.23% for direct service providers and 30.95% for Medicaid billing providers. In the 2013-2014 school year, the direct percentage reported statewide on the time studies was 36.36% for direct service providers and 34.63% for Medicaid billing providers. The Time Study percentages are applied to Worksheet #2 Direct Service Personnel; Worksheet #3-404 Purchased Professional and Technical Services; Worksheet #4-407 Supplies and Materials; Worksheet #5-408 Purchased Property Services, and Worksheet #9-411 All Other Expenditures. East district's Medicaid penetration rate is then applied to their Medicaid-reimbursable direct costs to determine their Medicaid-allowable direct costs for the SBCH program. Their Medicaid-allowable direct costs are then compared to the claimed services throughout the school year and if the interim claims are lower than their Medicaid-allowable direct costs, the resulting settlement amount is paid to the district. Conversely, if the interim claims are higher than their Medicaid-allowable direct costs, the resulting settlement amount is recouped from the district.

Each district's specific Medicaid penetration rate is applied to their Medicaid-reimbursable direct costs to determine their Medicaid-allowable direct costs for the SBCH program. Final district SBCH direct Medicaid-allowable costs are compared to the Interim claims submitted and paid throughout the school year and the variance (Costs-Claims) amount, also known as the settlement amount, is either paid to the district at 25% (if costs exceed claims) or recouped from the district at 25% (if costs do not exceed claims).

SBCH Cost Reports and determination of SBCH allowable admin costs: The administrative costs are reported on the Admin Register sheet and the Direct Service Provider Register sheets by each participating district and are used to determine their Medicaid-reimbursable admin costs for SBCH using the statewide time study results for admin providers and direct service providers. Each time study pool has administrative activities that result in the Medicaid administrative %. In the 2012-2013 school year, the admin percentage for admin staff was 2.62%, and for the Medicaid billing providers was 0.48%. In the 2013-2014 school year, the admin percentage for admin staff was 4.24% and for the Medicaid billing providers was 3.29%. The Time Study percentages are applied to Worksheet #2a Administrative staff. Also included in the determination of admin costs is the depreciation for equipment and building and improvements with no time study effort application.

Each SBCH services LEA certifies on an annual basis through its completed SBCH Cost Report its total actual, incurred Medicaid allowable costs, including the federal share and the nonfederal share. These costs do not include any indirect costs that are not included in the unrestricted cost rates approved by the Connecticut State Department of Education as the cognizant agency.

Each district's specific Medicaid penetration rate is applied to their Medicaid-reimbursable administrative costs to determine their Medicaid-allowable admin costs for the SBCH program. Since the admin claim is done at the final settlement, the result is the payment of the admin claim at the 25% rate, similar to the payment percentage on the direct costs.

Worksheets: Worksheets must reconcile to the amounts listed on Page 3, ED001, SCh # 4 expenses.

Registers: Only those staff available for Time Study Participation (included on the Participant pool listing) are allowed to be included on the Registers. Salary and fringe information must also be proportionate to the amount of time (quarters) they were included on the list. For example, if an employee was listed for quarter 2 and quarter 3 but left the district before the start of quarter 4, they would be able to have 3 quarters of their salary and fringe listed on the Register (I say $\frac{3}{4}$ because districts automatically receive credit for quarter 1 which is when school is not in session).